REENOVA INVESTMENT HOLDING LIMITED

(Incorporated in the Republic of Singapore | Company Reg. No.: 200104762G)

Website: **www.reenovagroup.com**

SGX Stock Code: **5EC**

RESPONSE TO SGX QUERIES

The Board of Directors (the "**Board**") of Reenova Investment Holding Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to provide the following additional information in response to the queries raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") in their email dated 23 November 2020 in relation to the Company's Unaudited Financial Statements for the Third Quarter ("**Q3 FY2020**") and Nine-Month ("**9M FY2020**") financial period ended 30 September 2020 announced on 13 November 2020 (the "**Q3 and 9M FY2020 Announcement**").

Query by SGX-ST:

1. We refer to the financial statements for the third quarter ended 30 September 2020 announced on 13 November 2020. Listing Rule 705(2C) states that an issuer that is required by the Exchange to announce its quarterly financial statements must prominently include a statement on the cover page of its announcement of its quarterly financial statements that such an announcement is pursuant to an Exchange requirement. Please clarify that the Company is reporting its Q3 FY2020 Financial Statements pursuant to an Exchange requirement and prominently include a statement on the cover page of future financial statements.

Company's Response:

1. The Board would like to clarify that the Company is reporting its Q3 FY2020 Financial Statements in compliance with the Notice of Compliance issued by the Singapore Exchange Regulation ("**SGX RegCo**") on 6 February 2020 and announced on SGXNet on the same date. The Company will prominently include a statement that the quarterly reporting announcement is mandatory, made pursuant to the Exchange's requirements, on the cover page of the Company's future announcements of its quarterly financial statements as required under Listing Rule 705(2C).

Query by SGX-ST:

2. We noted an impairment on VAT receivables of $10,304 recognised in Q3 2020. Please elaborate on how VAT receivables are identified for impairment. On what basis are the amounts determined and how was $10,304 arrived at. How much has been impaired to-date and what is the balance that have not yet been impaired?

Company's Response:

2. The further impairment of S$10,304 on VAT receivables recognised in Q3 FY2020 is consistent with the Group's accounting treatment of VAT receivables in FY2019. As per the Company's previous response to SGX queries announced on 10 March 2020 and 26 August 2020, and as previously advised by the auditors of Reenova Rare Earth (Malagasy) S.A.R.L.U. ("**RREM**"), the VAT receivables were fully impaired as there was previously no certainty that the Madagascar subsidiary would be able to produce commercially to enable the utilisation of the VAT receivables. The Company will, however, follow up with the auditors of RREM on whether the accounting treatment remains appropriate given that the Group has submitted an application for a full mining licence (*Permis de Exploitation*) in September 2020 and is currently making arrangements to commence pilot production.

Query by SGX-ST:

3. We noted an impairment loss on Straits Hi-Rel Pte Ltd of $800,000 recognised in Q3 FY2020. Please elaborate on the business currently carried out by Straits Hi-Rel and its financial performance. provide the basis for recognising the impairment loss and explain how the amount was computed. Who is the JV partner and which JV partner is operating the business of Stratist Hi-Rel currently? Please disclose the summarised statement of financial position as at 30 Sep 2020 and the summarised statement of comprehensive income for the 9 months ended 30 Sep 2020 for Straits Hi-Rel Pte Ltd. Given the impairment loss recognised, is the Company still obligated to increase its investment in Straits Hi-Rel Pte Ltd to 25% as disclosed on page 98 of the FY2019 Annual Report? When is the Company expected to increase its investment?

Company's Response:

3. Straits Hi-Rel Pte Ltd ("**SHR**") is in the business of providing high reliability ("**Hi-Rel**") engineering services and specialty testing and back-end manufacturing for Hi-Rel integrated chips and electronic modules targeted for end applications in the automotive, energy (oil and gas) and industrial sectors.

The operations of the SHR have been significantly impacted and disrupted by the COVID-19 pandemic in the past six months. During this period, the demand for SHR's services have dropped as travel restrictions imposed locally and abroad have resulted in SHR being unable to meet with its customers to secure future projects/work. Consequently, projects have not been forthcoming, thereby reducing its revenue pipeline and adversely affecting its ability to generate future cash inflows. The impairment loss of S$800,000 on the Group's investment in SHR was recognised based on the difference between the Group's initial cost of investment in SHR of S$1.34 million and an indicative offer from a third party, whom was introduced by the CEO of SHR, to acquire the Group's shareholding interest in SHR for approximately S$540,000 in mid-September 2020. The Group will continue to monitor the situation closely and assess again at year-end to determine if further impairment losses are required.

The JV partners are Infiniti Advantage Pte. Ltd. (a wholly-owned subsidiary of the Company) and the original shareholders of SHR. The JV partner who is operating the business of SHR is Mr John Dean Ritchie, who is the CEO of SHR and one of the original shareholders of SHR.

SHR's summarised statement of financial position as at 30 September 2020 and its summarised statement of comprehensive income for the nine (9) months ended 30 September 2020 are set out as follows:

Summarised unaudited statement of financial position:

	As at 30 September 2020 (Unaudited) S$'000
Current assets	567
Includes:	
- Cash and cash equivalents	116
Non-current assets	64
Total assets	**631**
Current liabilities	(238)
Net assets	**393**

Summarised unaudited statement of profit or loss and other comprehensive income*:*

	For the period from 1 January 2020 to 30 September 2020 (Unaudited) S$'000
Revenue	183
Expenses	
Includes: Depreciation	(22)
Loss before tax	(232)
Income tax expense	-
Net loss for the year	(232)
Other comprehensive income	-
Total comprehensive loss for the year	**(232)**

The information above reflects the amounts presented in the unaudited financial statements of the joint venture (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint venture.

The Company is of the view that it is not obligated to increase its investment in SHR to 25% as SHR has not been able to meet the milestone of securing the cumulative pipeline of projects of not less than US$1,000,000 as required under Stage 3B Investment in the Amendment Agreement dated 28 December 2017 relating to the Investment and Shareholders' Agreement dated 17 September 2017. Given the current circumstances, it appears unlikely that SHR will be able to achieve this milestone in the foreseeable future.

Query by SGX-ST:

4. Please provide the breakdown of the funds/cash used for General Working Capital purposes of S$425,000 for the current quarter as well as the projections of S$1,130,000.

Company's Response:

4. The breakdown of the funds/cash used for General Working Capital purposes for the current quarter (Q3 FY2020) as well as the projections for the next immediate quarter (Q4 FY2020) are as follows:

	Use of funds/ cash for Q3 FY2020	**Projection on use of funds/ cash for Q4 FY2020**
	S$'000	**S$'000**
Fees for application of full mining licence	79	21
Estimated expenses for pilot production	-	202
Wages, salaries, bonuses and other short-term employee benefits and employer's contributions to defined contribution plans	174	251
Office and warehouse rental	25	48
Directors' fees	37	82
Professional fees (including consultancy, audit, legal, secretarial, investor relations)	54	443
Listing related expenses	15	9
Insurance premiums	-	51
Others	41	23
Total:	**425**	**1,130**

Query by SGX-ST:

5. We noted that the negative assurance confirmation provided in Paragraph 15 is only in relation to Listing Rule 705(5). Please confirm that this also applies to Listing Rule 705(6) relating to use of funds for the quarter and a projection of the use of funds for the next immediate quarter, including material assumptions applicable to Mineral, Oil and Gas companies.

Company's Response:

5. The Board confirms that the negative assurance confirmation provided in Paragraph 15 on page 14 also applies to Rule 705(6) relating to use of funds for the quarter and a projection of the use of funds for the next immediate quarter, including material assumptions applicable to Mineral, Oil and Gas companies made by the Group.

On behalf of the Board
Reenova Investment Holding Limited

Chen Tong
Executive Chairman

25 November 2020